



Request for City Council Committee Action from the Department of Community Planning and Economic Development

Date: April 29, 2014

To: Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee

Referral to: Council Member John Quincy, Chair, Ways and Means Committee

Subject: Appropriation of NSP Funds received from Minnesota Housing Finance Agency and Program Income generated by the City of Minneapolis.

Recommendation:

1) Amend the 2014 General Appropriation Resolution by increasing the Community Planning and Economic Development agency Fund 01300 Grants – Federal (01300-8900230) appropriation by \$4,799,645.30 and Fund 01400 Grants – CDBG and UDAG Funds (01400-8900230) appropriation by \$37,148.29.

2) Increase the 2014 Revenue Budget for the Community Planning and Economic Development agency Fund 01300 Grants – Federal (01300-8900900-321008) by \$4,799,645.30 and Fund 01400 – CDBG and UDAG Funds (01400-8900900-321008) by \$37,148.29.

Previous Directives:

August 23, 2011 – Approved Appropriation of NSP 3 Funds and approved interim construction financing loans to Neighborhood Stabilization Program (NSP) developers for NSP projects.

April 29, 2011 - Approved all NSP1 and NSP2 developers as eligible to participate in NSP3; authorized the appropriate City officials to enter into related agreements with the approved NSP3 developers; and authorized the CPED Director to make changes to the awards and funding, if necessitated by refinements made to NSP3 to meet HUD, MHFA or programmatic requirements.

February 25, 2011 – Received and filed public comments from the February 15, 2011 public hearing, for the City of Minneapolis' 2010 Consolidated Plan Amendment #1 – Neighborhood Stabilization Program 3 Action Plan application. The City Council directed staff to include a summary of the public comments received during the public comment period into the 2010 Consolidated Plan Amendment #1 – Neighborhood Stabilization Program 3 submitted to the U.S. Department of Housing and Urban Development (HUD) as required.

February 1, 2011 – Set the NSP3 public hearing for February 15, 2011 and the NSP3 public comment period for February 1 -15, 2011; approved and authorized staff to submit 2010 Consolidated Plan Amendment #1 - Neighborhood Stabilization Program 3 Abbreviated Action Plan to HUD for \$2,671,275 in NSP3 funds, submit an application to Minnesota Housing Finance Agency for \$600,000 in NSP3 funds, and develop and execute related funding agreements; and authorized CPED Director to make changes to the proposed NSP3 activities, if necessitated by refinements made to NSP3 to meet HUD, MHFA or programmatic requirements.

Department Information

Prepared by: Edie Oliveto-Oates, Senior Project Coordinator, 612-673-5229
Approved by: Thomas Streitz, Director, Housing & Policy Development _____
Charles T. Lutz, Interim CPED Director _____
Presenters in Committee: Edie Oliveto-Oates, Senior Project Coordinator
Funding Source and Appropriation:
Language Reviewed by Development Finance: _____

Financial Impact

- Action requires an appropriation increase to the Capital Budget or Operating Budget
Dept Name: Community Planning and Economic Development
Fund Name: 01400 – CDBG & UDAG Funds and 01300 – Grants - Federal
Amount: \$4,799,645.30 in fund 01300 and \$37,148.29. in fund 01400
- Action provides increased revenue for appropriation increase
Dept Name: Community Planning and Economic Development
Fund Name: 01400 – CDBG & UDAG Funds and 01300 – Grants - Federal
Amount: \$4,799,645.30 in fund 01300 and \$37,148.29 in fund 01400

Community Impact

- Neighborhood Notification: Each neighborhood was notified of the NPS program applications and provided an opportunity to participate in the community review process. Updates are provided quarterly through the City of Minneapolis NSP web site.
- City Goals: Livable Communities, Healthy Lives - High-quality, affordable housing for all ages and stages in every neighborhood.
- Comprehensive Plan: Not Applicable
- Zoning Code: Not Applicable

Supporting Information

Minneapolis applied for and was awarded NSP funds from Minnesota Housing Finance Agency (MHFA) and from the Department of Housing and Urban Development (HUD) for NSP 1, 2 and 3. Minneapolis has executed grant agreements with both MHFA and HUD for each program as appropriate.

The NSP funding has been and continues to be a key component of the Minneapolis Foreclosure Recovery Plan based on strategic and timely government intervention for reinvesting and repositioning the market place to the extent necessary to “tip” the market toward restoring a healthy housing market. The Minneapolis NSP Action Plans are posted on the City’s NSP website: <http://www.ci.minneapolis.mn.us/foreclosure/nsp.asp>.

Since the program’s inception, the City of Minneapolis has realized program income and received additional grant funds as shown below. All program income received through this program must be spent on NSP eligible activities.

- In NSP 1, based upon performance, MHFA has provided the City an additional \$929,410.99 from program income realized by other grantees in their program. Because of Minneapolis' success in using the previously awarded funding, MHFA was comfortable that the award to Minneapolis would produce a similar outcome. In addition, the City has generated \$825,703.92 in program income from the original MHFA and HUD grant.
- In NSP 2, the City only received HUD awards. To date the City has generated \$2,981,878.98 in program income.
- In NSP 3, the City has generated \$99,799.70 in program income from the original MHFA and HUD grants.

The City acquired 231 foreclosed properties under the Land Bank activity which the City has begun marketing. When sold, the land sale proceeds from the sale of these properties will be treated as program income. HUD anticipates that ongoing property management and holds costs will be paid out of program income generated by the sale of these land bank properties. Additionally, the City will also receive program income from the Purchase Rehab and Redevelopment activities tied to the NSP program. In anticipation of this program income generated through interim construction loans, the City committed approximately \$1.3 million to NSP eligible rehabilitation projects located in HUD approved target areas of the City which were significantly impacted by the foreclosure crisis.

HUD mandates that all program income generated be used to support NSP-eligible activities. Minneapolis NSP Action Plan does not require amending, as the original plan envisioned the use of the program income to meet the outcomes established in the plan and approved by the City Council.